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FOR IMMEDIATE RELEASE
OCTOBER 29, 2003

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EX-LIPPER HOLDINGS HEDGE FUND MANAGER INDICTED BY U.S.
FOR MULTI-HUNDRED-MILLION-DOLLAR INVESTMENT FRAUD

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced today the unsealing in Manhattan federal court of a four-count Indictment charging EDWARD STRAFACI, the former Executive Vice-President and Director of Fixed Income Money Management at Lipper Holdings, LLC ("Lipper Holdings"), with securities fraud and investment advisory fraud.

The Indictment charges that STRAFACI caused the values of two hedge funds managed by Lipper Holdings to be over-stated by hundreds of millions of dollars by repeatedly over-valuing securities held by the two funds.

The Indictment alleges that Lipper Holdings served as the general partner of various limited partnerships comprised of individual and institutional investor-clients. According to the Indictment, two of those limited partnerships - Lipper Convertibles, L.P. and Lipper Convertibles Series II, L.P. (the "Convertible Funds"), which held hundreds of millions of dollars in investor funds - specialized in the purchase and sale of convertible securities. The Indictment alleges that Lipper

Holdings, as the general partner of the partnerships, was responsible for all aspects of the Convertible Funds' businesses and operations, including decisions relating to the purchase and sale of securities. In return for its management services, Lipper Holdings received fees based on the performance of the Convertible Funds.

The Indictment alleges that between 1996 and January 2002, STRAFACI, as Executive Vice-President and Director of Fixed Income Money Management at Lipper Holdings, was personally responsible for the Convertible Funds' investment strategy. STRAFACI was also personally responsible for calculating the values of securities held by the Convertible Funds, which values were reported to existing and prospective investors.

According to the Indictment, beginning in 1996 STRAFACI began fraudulently to overvalue many of the securities held by the Convertible Funds and, as a result, made the Convertible Funds appear to be far more valuable and profitable than they in fact were.

STRAFACI resigned from Lipper Holdings in January of 2002, according to the Indictment. Shortly thereafter, the Indictment alleges, Lipper Holdings announced to its investors that the Lipper Convertible Fund's reported net asset value was being reduced by approximately 40 percent, and that Lipper Convertibles Series II Fund's reported net asset value was being reduced by approximately 15 percent.

According to the Indictment, in March of 2002 Lipper

Holdings dissolved and liquidated the Convertible Funds. The Lipper Convertible Fund, which had reported approximately \$722 million in partnership capital before STRAFACI's resignation, reported approximately \$365 million in partnership capital upon liquidation; the Lipper Convertible Fund Series II, which had reported approximately \$29.5 million in partnership capital before STRAFACI's resignation, reported approximately \$21.1 million in partnership capital upon liquidation.

The Indictment states that as a result of STRAFACI's fraudulent reporting of the Convertible Funds' assets and performance, investors who were told that the value of their investments was growing at rates between 9 percent and 15 percent in each year between 1995 and 2000 actually lost money during the period.

In a related matter, the United States Securities and Exchange Commission today announced the filing of a civil Complaint in the United States District Court for the Southern District of New York, charging STRAFACI with securities fraud and investment advisory fraud in relation to the Lipper Convertible Funds.

STRAFACI, age 45, resides in Colts Neck, New Jersey.

If convicted on all counts charged in the Indictment, he faces a maximum penalty of 30 years in prison - 10 years for each of two security fraud counts and 5 years for each of two investment advisory fraud counts. He also faces, upon conviction, fines of \$1 million or twice the gross gain or loss resulting

from the crime for each of the two security fraud charges and fines of \$250,000 or twice the gross gain or loss on the investment advisory fraud counts.

Mr. COMEY praised the efforts of the Federal Bureau of Investigation, and thanked the SEC for its assistance in the investigation of this case.

Assistant United States Attorneys JUSTIN S. WEDDLE and ROBERTO FINZI are in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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